



**MICHIGAN**  
**CHAMBER**  
*of Commerce*

**Testimony of the Michigan Chamber of Commerce**  
**Before Reform, Restructuring, Reinventing Committee**  
**Senate Bill 7**  
**Wednesday, March 16, 2011**  
**Presented by Wendy Block**

Good morning, Mr. Chair and Members of the Committee. My name is Wendy Block and I am the Director of Health Policy & Human Resources for the Michigan Chamber of Commerce. I am here today to testify in support of Senate Bill 7, which would require all public employees to contribute a certain percentage towards the cost of their employer-sponsored health insurance. The MI Chamber supports this bill for two reasons: (1) because this bill brings public sector practices into the real world and begins to align their benefit packages with the private sector and (2) because this bill could result in up to \$543 million in savings to state, local and school districts' budgets.

As I testified before this committee a few weeks ago, the Michigan Chamber is committed to working with lawmakers to implement meaningful, long-lasting reforms to the structure and cost of state government. We believe SB 7 is one piece of that budget puzzle.

Rapidly rising health care costs, of course, are squeezing private- and public-sector employers alike. In fact, the most recent data coming out of the Kaiser Family Foundation suggests that, for benefit year 2010, the average annual premiums for employer-sponsored health insurance in 2010 was \$5,049 for single coverage and \$13,770 for family coverage. Compared to 2009, premiums for single coverage are 5%

higher (\$4,824) and premiums for family coverage are 3% higher (\$13,375). Since 2000, average premiums for family coverage have increased 114%. This is consistent with our members' experience.<sup>1</sup>

In the private sector, employers have had to look for solutions in order to ease the financial strain of premium increases. Many have had to shop around to determine if coverage was available for less with another carrier; others have had to make the difficult decision to pass along more costs to employees in the form of employee contributions, co-pays, co-insurance and/or deductibles; others yet have had to drop coverage altogether.

The Kaiser Family Foundation reports that worker contributions have increased, on average, by 147% since 2000, with covered workers on average contributing 19% of the total premium for single coverage (up from 17% in 2009) and 30% for family coverage (up from 27% in 2009). As with total premiums, the premium shares contributed by workers vary considerably around these averages. For single coverage, 28% of workers pay more than 25% of the total premium while 16% make no contribution. Fifty-one percent of workers with family coverage pay more than 25% of the total premium; only 5% make no contribution.

When I checked in with our own independent insurance agency, which sells health insurance to our member firms, they reported that, of our groups, the average employee contribution for small- to mid-sized companies is approximately 25% for single coverage and 50% for family coverage. These numbers are substantially higher than the Kaiser numbers but, none the less, demonstrate that most employees in the private sector are paying for a significant percentage of their employer-sponsored health insurance premiums.

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<sup>1</sup> <http://ehbs.kff.org/pdf/2010/8086.pdf>

Given the federal and state data analyzed, it would seem as if SB 7, which requires public sector employees to contribute 10 to 20% towards the cost of their employer-sponsored health insurance, is a reasonable proposal.

Quite simply, it not fiscally responsible to ask taxpayers to pick up the tab for public sector employee benefits packages that are out of line with the benefit packages offered to private sector employees. If state and local governments, school districts and public universities are in a tight financial situation, or "funding crisis", they need to consider every realistic opportunity for savings, especially if it can be accomplished without reducing services to citizens or sacrificing the quality of education or academic achievement.

Thank you for the opportunity to testify this morning. The Michigan Chamber urges you to support SB 7. With that, I would be happy to answer any questions you may have.